

MONTANA Economy at a Glance

APRIL 2008

EMPLOYMENT BY INDUSTRY

(Does not include self-employed or agricultural employment)

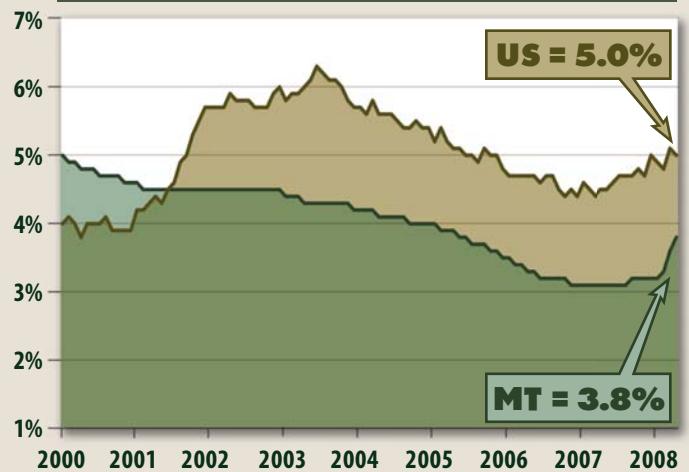
Industry Employment (in thousands)	Apr.(P) 2008	Mar. 2008	Net Change	Percent Change
Total Non-Agricultural	450.4	451.1	-0.7	-0.2%
Natural Resources & Mining	8.6	8.6	0.0	0.0%
Construction	32.6	32.9	-0.3	-0.9%
Manufacturing	20.5	20.5	0.0	0.0%
Trade, Transportation, & Utilities	93.8	94.2	-0.4	-0.4%
Information	7.7	7.7	0.0	0.0%
Financial Activities	21.7	21.6	0.1	0.5%
Professional & Business Services	42.3	42.2	0.1	0.2%
Education & Health Services	60.0	60.1	-0.1	-0.2%
Leisure & Hospitality	59.7	59.5	0.2	0.3%
Other Services	17.5	17.5	0.0	0.0%
Total Government	86.0	86.3	-0.3	-0.3%

(P) denotes preliminary figures

Montana's seasonally-adjusted non-agricultural payroll employment decreased by 700 jobs (-0.2%) from March to April 2008. Leisure & Hospitality showed the largest gain with 200 (+0.3%) added jobs. Meanwhile, Trade, Transportation, & Utilities experienced the largest loss, decreasing by 400 (-0.4%) jobs.

UNEMPLOYMENT RATE

Seasonally Adjusted



Montana's seasonally-adjusted unemployment rate increased to 3.8% in April 2008 from 3.6% in March. The U.S. decreased slightly to 5.0% from 5.1% over the month.

NON-FARM EMPLOYMENT

In Thousands



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Montana's Export Boom and the Declining Dollar

by Aaron McNay, Economist

Beginning in 2003, the state of Montana began experiencing a large increase in the value of its exports. During this same time period, the United States saw a significant decline in the value of its currency, the dollar, relative to other major currencies. The fact that these two events occurred at the same time is not by chance. As a currency declines in relative value, the goods that are produced within that currency's country will become cheaper for other countries to purchase. As the dollar declines in value relative to other currencies, the exports produced within the United States become cheaper for consumers in other countries, and more goods will be shipped abroad. This article will examine some of the effects of the declining dollar on Montana's economy.

The Declining Dollar and Montana's Exports

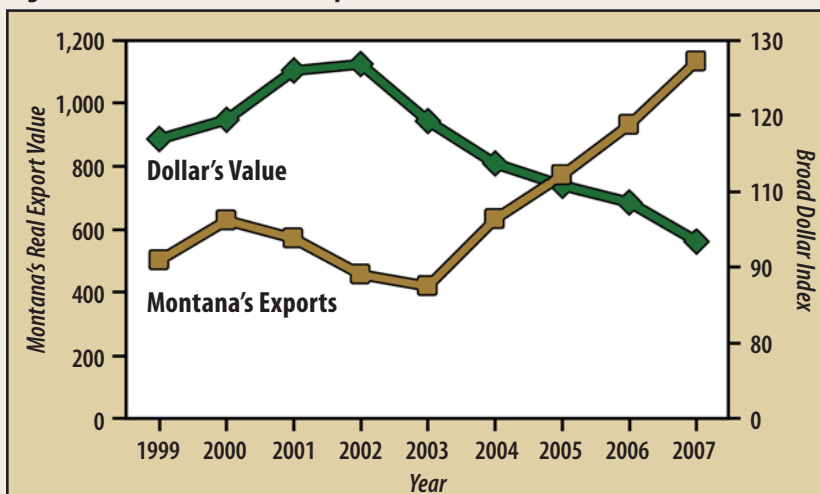
In 2003, the United States dollar began losing its value relative to the currencies of its major trading partners. By 2007, the dollar's value had lost almost 15% of its value. Consistent with theory, the dollar's decline was accompanied by an increase in exports of Montana products. Montana's exports increased significantly from an adjusted value of \$420 million dollars in 2003 to over \$1.1 billion in 2007 (*see Figure One*). Because this occurrence is not simply a correlation, we can conclude that as long as the dollar continues to fall, Montana's exports will continue to increase as well.

Why Is Agriculture So Small?

Montana is a large agriculture state, therefore it was surprising to find that the federal government reports that crop exports only constituted 3% of Montana's total export value in 2007. Given the size of Montana's agriculture sector, this seems highly unlikely. According to the Montana Department of Commerce, a large portion of Montana's exports are simply not included in the federal numbers. In fact, when the federal government determines the export value of a state's agriculture export products, it does not include any crops that

were produced in the original state and sent to another state's grain-handling facilities. This process causes an underestimation of the agriculture export value in states that lack an export handling facility, such as Montana. When the grain that Montana ships to out-of-state handling facilities is included in the export figures, wheat exports quickly become Montana's largest export commodity (*see Table One*). For the rest of this article, data will include the additional agriculture sales figures.

Figure One: Montana's Real Export Value and the Value of the Dollar



Source: TradeStats Express and U.S. Federal Reserve
Prepared by: Research & Analysis Bureau

**Table One: Montana's Estimated Total Exports**

State of Montana Exports	2003 (\$ USD)	2004 (\$ USD)	2005 (\$ USD)	2006 (\$ USD)	2007 (\$ USD)
All Industries, All Destinations	361,416,280	564,690,618	710,727,172	886,585,134	1,131,166,762
USWC Bulk Wheat Exports	222,540,509	278,018,812	330,663,123	410,421,973	613,390,371
Total Exports, All Destinations	583,956,789	842,709,430	1,041,390,295	1,297,007,107	1,744,557,133

Source: Montana Department of Commerce

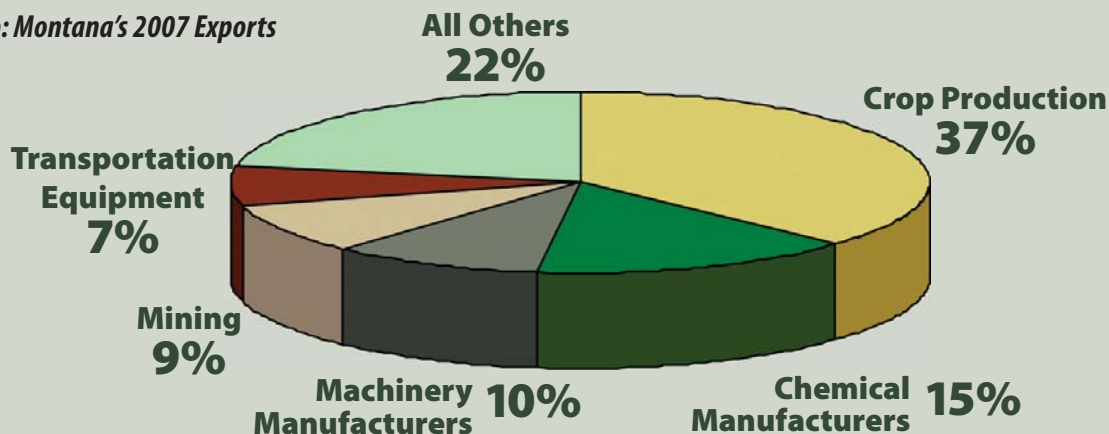
Montana's Exports

In dollar terms, Montana primarily exports agriculture and manufactured goods, with four of the five largest export sectors in 2007 being related to one of these areas (*see Figure Two*). Growth during the past four years has also been dependent on manufacturing, with metal and transportation equipment manufacturing being the two fastest-growing export sectors in the state. Agriculture and manufactured goods are not the only products that Montana exports, however. Recent world-wide increases in the demand for fossil fuels and other mined resources have lead to a considerable increase in Montana's exports of these goods.

In 2007, over 77% of Montana's export value originated from five sectors. The largest sector, crop production, had an export value of \$646 million dollars, followed by: chemical manufacturing (\$261 million), machinery manufacturing (\$172 million), mining (\$153 million), and transportation equipment manufacturing (\$122 million). Together, these five sectors had a 2007 export value

in excess of \$1.3 billion dollars. Due in part to the declining dollar, these five sectors saw significant growth during the previous four years. After being adjusted for inflation, exports in these sectors alone increased by approximately \$220 million dollars each year from 2003 to 2007. While each of these sectors saw the largest growth in dollar terms, recent world changes could cause another area of Montana's exports to see some strong growth in the future.

Responding to the declining dollar, as well as the recent increase in the demand for fossil fuels, the export value of the mining and fossil fuel sectors increased considerably since 2003. As of 2007, the mining sector alone constituted almost 9% of Montana's exports. When fossil fuel products are included, this number increases to 12%. This is a considerable increase from 7% in 2003. As demand throughout the developed and developing world increases, these sectors are likely to see export growth continue.

Figure Two: Montana's 2007 Exports

Source: TradeStats Express and Montana Department of Commerce, prepared by: Research & Analysis Bureau



Employment in Montana's Non-Agriculture Export Sectors

In order to meet the increased product demand, many non-agriculture sectors that supply Montana's exports have increased the number of workers they employ. This has contributed to the non-agriculture export sectors out-pacing the rest of the state in terms of employment and real wage growth (*see Table Two*). This strong wage growth

has led to the large export sectors paying, on average, an annual wage of nearly \$55,000; well over one-and-a-half times what the average worker in Montana earns. Due to the high wages these positions command, most of the new workers in the export sectors will benefit significantly from their new positions.

Table Two: Montana's Five Largest Non-Agriculture Export Sectors - 2003 vs. 2006

Sector	Employment		Change in Employment 2003-2006	Annual Average Real Wage		Change in Real Wages 2003-2006
	2003	2006		2003	2006	
Montana	393,541	426,182	8.3%	\$30,320.39	\$31,467.44	3.8%
5 Largest Export Sectors	6,198	7,198	16.1%	\$54,918.99	\$57,966.80	5.5%

Source: Research and Analysis Bureau, Quarterly Census of Employment and Wages (QCEW) Program

Of the five largest non-agriculture export sectors in Montana in 2007, three of them saw their employment increase significantly faster than the state average of 8% (*see Table Three*). Mining had the largest total increase in employment with 650 additional workers employed. Chemical manufacturing saw a small change in employment with

a reduction of two workers from 2003 to 2006. Only one sector had a significant decline in the number of workers employed in their area—primary metal manufacturing. Employment in this sector declined from 419 workers in 2003 to 357 workers in 2006.

Table Three: Employment and Wages in Montana's Largest Non-Agriculture Export Sectors - 2003 vs. 2006

Sector	Employment		Change in Employment 2003-2006	Annual Average Real Wage		Change in Real Wages 2003-2006
	2003	2006		2003	2006	
Chemical Manufacturers	684	682	\$ 51,358.84	\$ 52,057.65	-0.3%	1.4%
Machinery Manufacturers	1,109	1,427	\$ 43,162.07	\$ 45,212.08	28.7%	4.7%
Mining	3,497	4,152	\$ 62,944.07	\$ 68,100.95	18.7%	8.2%
Transportation Equipment	480	580	\$ 35,718.04	\$ 35,075.36	20.8%	-1.8%
Primary Metal Manufacturers	419	357	\$ 46,867.18	\$ 39,560.57	-14.8%	-15.6%
Total	6,189	7,198	\$ 54,918.99	\$ 57,966.50	16.3%	5.5%

Source: Research and Analysis Bureau, Quarterly Census of Employment and Wages (QCEW) Program



Generally, the sectors that experienced the largest proportional change in employment also witnessed the largest proportional change in real wages. Mining, which had the largest numerical increase in employment, also had the largest growth in real wages, increasing over \$5,000. Inversely, the sector with declining employment, primary metal manufacturing, also had its real wages decline by over 15%. However, even when real incomes fell, workers in all five of the export sectors still made significantly more than the average worker in Montana.

What About Imports?

One thing to keep in mind is that the declining dollar may have its benefits, but it also imposes some costs. Just as the declining dollar made the goods produced in Montana relatively cheaper for the rest of the world, it also made the goods produced by the world relatively more expensive to purchase within the United States. This has forced consumers of imported goods to pay higher prices, lowering their real incomes.

Conclusion

There is no question that the relative decline in the dollar's value has had some significant impacts on Montana's export economy. Montana has witnessed its export value increase by \$1 billion inflation-adjusted dollars in the span of only four years, leading to employment growth and higher wages for most of the workers who provide these exported goods. However, this process does have its own costs. The reduced purchasing power of the dollar makes the goods that other countries supply more expensive. Ultimately, who wins and who loses from this process will depend on if they produce exported goods, or consume imported ones, and to what degree.

References:

¹ *Data from the U.S. Federal Reserve, Broad Currency Index* (<http://www.federalreserve.gov/releases/>) 2003 adjustments used the Bureau of Labor Statistics Export Price Index (EIUIQ) (<http://www.bls.gov/mxp/home.htm>)

² *United States federal government export data* (<http://tse.export.gov>)

³ *Montana Department of Commerce, Export Montana* (<http://www.exportmontana.com/includes/WhyNotMatch.pdf>)

NOTICE:

PREVAILING WAGES PROGRAM MOVING

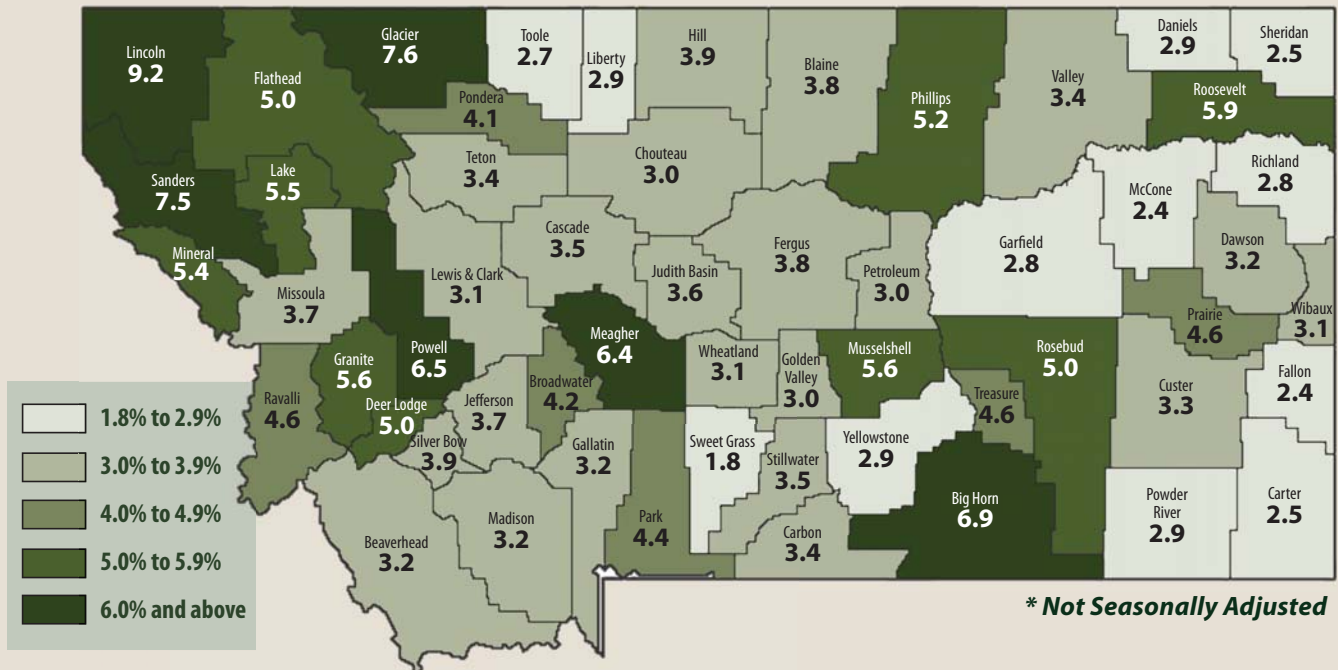
The Prevailing Wages Program is moving to the Employment Relations Division of the Montana Department of Labor and Industry. This move will allow the Labor Standards Bureau to consolidate the processes of surveying, establishing, and enforcing prevailing wages for public works projects involving construction (building, heavy, and highway) and non-construction services.

The information and publications related to prevailing wages will be transferred to the Employment Relations Division website. We will post the link when it becomes available. We will also post the new contact information for the program once the move is accomplished.

The Research and Analysis Bureau will continue to provide wage determinations for Foreign Labor Certifications.

County Unemployment Rates* - April 2008

Montana Average Rate: 3.9%



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